

Message Text

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SUBJECT: PENSION SCHEME FOR OECD AND NATO

REF: (A) OECD PARIS 4926

(B) USNATO 916

1. MISSION REQUESTED TO MAKE FOLLOWING STATEMENT WHEN
COUNCIL DISCUSSES 127TH CCG REPORT ON FEBRUARY 26.

2. /BEGIN STATEMENT/ THE UNITED STATES ATTACHES GREAT
IMPORTANCE TO THE PROMPT INTRODUCTION IN THE CO-ORDINATED
ORGANIZATIONS -- INCLUDING THE OECD -- OF A FAIR AND EQUIT-
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ABLE PENSION SCHEME. THE COUNTRIES REPRESENTED AROUND THIS

TABLE HAVE WORKED DILIGENTLY OVER A LONG PERIOD OF TIME TO BRING SUCH A SCHEME INTO BEING. COMPROMISES, OFTEN DIFFICULT ONES, HAVE BEEN MADE BY ALL PARTIES TO THE DISCUSSIONS WHICH LED TO THE 94TH AND 127TH REPORTS OF THE CCG.

3. THE UNITED STATES ATTACHES GREAT IMPORTANCE TO BOTH THE PRINCIPLE AND THE PRACTICE OF CO-ORDINATION OF COMPENSATION POLICY. WE REGARD IT AS ESSENTIAL THAT SUCH POLICIES BE AS NEARLY IDENTICAL AS POSSIBLE IN THE TWO CO-ORDINATED ORGANIZATIONS OF WHICH WE ARE MEMBERS, OECD AND NATO.

4. IN WORK THAT HAS BEEN UNDERWAY IN THE CCG TO DEVELOP RULES FOR THE PENSION SCHEME, AND WHICH LED TO THE 127TH REPORT, AN EXISTING DISPARITY IN POLICY -- IF WE MAY CALL IT THAT -- CAME TO OUR ATTENTION. AS YOU KNOW, OECD PROVIDENT FUND ACCOUNTS ARE MAINTAINED IN FRENCH FRANCS; ACCOUNTS AT NATO ARE MAINTAINED IN ACCOUNTING UNITS.

THIS ACCOUNTING METHOD WAS ADOPTED, APPARENTLY, BECAUSE NATO EMPLOYEES SERVE IN LARGE NUMBERS IN VARIOUS EUROPEAN COUNTRIES AND ARE PAID IN A VARIETY OF CURRENCIES.

5. MORE THAN A SIMPLE MATTER OF ACCOUNTING PRACTICE IS INVOLVED HERE. IT TURNS OUT THAT, BECAUSE OF DIFFERENTIAL INFLATION RATES AND CURRENCY ADJUSTMENTS, IF NATO EMPLOYEES PURCHASE PENSION CREDIT IN THE CURRENCIES IN WHICH THEY ARE PAID -- RATHER THAN IN THE ACCOUNTING UNITS IN WHICH THEIR ACCOUNTS ARE MAINTAINED -- SOME EMPLOYEES WILL BE REQUIRED TO PAY SIGNIFICANTLY MORE THAN OTHERS TO ACQUIRE CREDIT FOR PAST SERVICE. SUCH A SITUATION WOULD BE, IN OUR VIEW, UNJUST AND INEQUITABLE.

6. NOW IT MAY VERY WELL BE THAT DISCUSSION IN THE CCG MAY HAVE OBSCURED RATHER THAN CLARIFIED THIS FUNDAMENTAL POINT. IN PARTICULAR, REFERENCE IN ANNEX II OF THE 127TH REPORT -- WHICH ADDRESSES THIS POINT -- TO FIXING THE COST OF VALIDATION IN "REAL TERMS" HAS DIVERTED ATTENTION FROM THE BASIC ISSUE.

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7. THE UNITED STATES WISHES TO BE ON RECORD TO THE EFFECT THAT THE 94TH REPORT OF THE CCG CAN BE INTERPRETED TO MEAN THAT -- IN NATO -- THE COST OF VALIDATION CAN BE FIXED IN TERMS OF THE ACCOUNTING UNITS IN WHICH NATO PROVIDENT FUND ACCOUNTS ARE DENOMINATED. IN OUR VIEW THIS POSITION IS ENTIRELY COMPATIBLE WITH THE COUNCIL DECISION OF 6TH JUNE 1974 TO SET-UP AND APPLY THE PENSION SCHEME WITHIN THE OECD.

8. WHEN THE PENSION SCHEME IS DISCUSSED BY THE NATO COUNCIL, THE UNITED STATES INTENDS TO INSTRUCT ITS MISSION TO NATO TO APPROACH THOSE DISCUSSIONS ON THE BASIS OF THE POSITION OUTLINED IN THIS STATEMENT.

9. U.S. IS NOT PREPARED TO ACCEPT PARA 17 OF THE 127TH CCG REPORT OF FEB 26. IT IS THE UNITED STATES POSITION THAT THE CCG SHOULD MAKE ANOTHER EFFORT TO RECONCILE THE DIFFERENCES BETWEEN THE TWO POINTS OF VIEW ON VALIDATION, PREFERABLY TO DEVELOP COMMON RULES APPLICABLE TO ALL ORGANIZATIONS, OR RECOGNIZING THE SLIGHTLY DIFFERENT PROBLEM FACED BY NATO, SLIGHT MODIFICATION TO MEET NATO'S SITUATION. /END STATEMENT./

10. IN ADDITION TO ABOVE STATEMENT, MISSION MAY DRAW ON PREVIOUS GUIDANCE THIS SUBJECT IN DEBATE. BECAUSE OF EXCHANGE RATE GUARANTEE IMPLICATION OF NATO VALIDATION IN IAUS, DEPARTMENT MAY NEED INTER-AGENCY CLEARANCE TO PURSUE THIS APPROACH AT NATO. MAIN PURPOSE OF ABOVE STATEMENT IS TO HOLD OPEN POSSIBILITY OF DOING SO BY GOING ON RECORD WITH VIEW THAT APPROACH WOULD BE CONSISTENT WITH 94TH REPORT. END FYI. KISSINGER

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